

Message Text

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ACTION PM-05

INFO OCT-01 EUR-12 ISO-00 L-03 CIAE-00 INR-10 NSAE-00
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TO SECSTATE WASHDC 6531
INFO SECDEF WASHDC/ASD/ISA
AMEMBASSY BRUSSELS
USCINCEUR VAIHINGEN GER/EC/J4/7
CINCUSAREUR HEIDLEBERG GER/AEAGD-SM-S
USMISSION USNATO
USMNR SHAPE

C O N F I D E N T I A L SECTION 1 OF 2 LUXEMBOURG 0778

E.O. 11652: GDS
TAGS: MASS LU
SUBJECT: U.S. ARMY-LUXEMBOURG STORAGE SITE NEGOTIATIONS

REF: (A) 77 LUXEMBOURG 1026, (B) LUXEMBOURG 0990,
(C) LUXEMBOURG 0267

SUMMARY AND REQUESTED ACTION: OVER THE PAST 18 MONTHS
U.S. ARMY EUROPE (USAREUR) AND THE GOL HAVE BEEN DIS-
CUSSING THE POSSIBILITY OF STORING U.S. ARMY EQUIPMENT
IN LUXEMBOURG. THE DISCUSSIONS HAVE NOW ENTERED THE
FINAL NEGOTIATING STAGE AND BOTH SIDES HOPE TO BE ABLE
TO SIGN A SERVICE CONTRACT FOR 180,000 SQUARE METERS
OF CONTROLLED HUMIDITY STORAGE SPACE BY OCTOBER 1, 1978.
BECAUSE THE CONTRACTING PARTY ON THE LUXEMBOURG SIDE
WOULD BE A QUASI-GOVERNMENTAL ORGANIZATION (THE WAREHOUSE
SERVICES AGENCY -- TO BE REFERRED TO HEREAFTER AS WSA--
WHICH IS 49PERCENT OWNED BY ARBED, LUXEMBOURG'S MAJOR STEEL
COMPANY, AND 51 PERCENT OWNED BY THE GOL THROUGH THE GOVERNMENT-
OWNED NATIONAL SOCIETY OF CREDIT AND INVESTMENT), THE
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GOVERNMENT OF LUXEMBOURG WOULD LIKE TO COVER THE CONTRACT
WITH A GOVERNMENT-TO-GOVERNMENT MEMORANDUM OF UNDER-
STANDING. MFA OFFICIALS WOULD LIKE TBHE MEMORANDUM TO IN-
CLUDE A BRIEF RESUME OF THE NEGOTIATIONS AND GENERAL PRO-
VISIONS OF THE CONTRACT, A STATEMENT THAT ONLY CONVENTIONAL
(I.E., NON-NUCLEAR MATERIAL) WOULD BE STORED IN LUXEMBOURG,
A STATEMENT REAFFIRMING IN GENERAL TERMS THE U.S. COMMITMENT

TO NATO AND TO THE DEFENSE OF EUROPE, AND A GUARANTEE THAT THE GOL WILL ASSURE THE IMPLEMENTATION OF THE CONTRACT UNDER ALL CIRCUMSTANCES, INCLUDING STRIKES, CIVIL STRIFE OR ACTUAL WAR. THE LUXEMBOURG SIDE IS PREPARING A FIRST DRAFT OF SUCH A MEMORANDUM WHICH THEY WILL PROVIDE TO YUS IN EARLY SEPTEMBER FOR OUR COMMENTS AND PROPOSED CHANGES. REQUEST THE DEPARTMENT'S GUIDANCE ON THE AUTHORITY WE NEED TO INITIAL SUCH A MEMORANDUM AND WHETHER IT COULD BE INITIALED AS EARLY AS OCTOBER 1 IF DRAFT LANGUAGE WERE SUBMITTED TO THE DEPARTMENT BY MID-SEPTEMBER. END SUMMARY.

1. BACKGROUND. IN JANUARY 1977 A USAREUR TEAM MET WITH GOL OFFICIALS TO EXPLORE THE POSSIBILITY OF ACQUIRING STORAGE FACILITIES FOR CONVENTIONAL U.S. ARMY EQUIPMENT IN LUXEMBOURG FOLLOWING A SERIES OF USAREUR-GOL EXPLORATORY TALKS, THE GOL MINISTER OF PUBLIC FORCES EMILE KRIEPS AND THE (THEN) MINISTER OF NATIONAL ECONOMY MARCEL MART ADDRESSED A LETTER TO ME DATED AUGUST 29, 1977 INDICATING THAT THE GOVERNMENT OF LUXEMBOURG WAS PREPARED TO ENTER INTO DETAILED NEGOTIATIONS FOR THE ESTABLISHMENT OF STORAGE SITES IN LUXEMBOURG (REFTEL A). FOLLOWING MEETINGS BETWEEN A U.S. ARMY TEAM LED BY MAJOR GENERAL GROVES, CHIEF OF STAFF USAREUR, AND PRIME MINISTER THORN AND OTHER LUXEMBOURG OFFICIALS ON NOVEMBER 30 AND DECEMBER 1, 1977 (REFTEL B), GENERAL GROVES RESPONDED TO THE LETTER FROM CONFIDENTIAL

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MINISTERS KRIEPS AND MART WITH A LETTER DATED FEBRUARY 28, 1978 IN WHICH HE ASSURED THE GOVERNMENT OF LUXEMBOURG THAT THE U.S. ARMY IS INTERESTED IN STORING EQUIPMENT IN LUXEMBOURG AND THAT NEGOTIATIONS SHOULD PROCEED ON THE FEASIBILITY OF SIGNING A SERVICE CONTRACT BETWEEN THE U.S. ARMY EUROPE AND THE GOL TO RECEIVE, STORE, MAINTAIN AND ISSUE U.S. ARMY EQUIPMENT (REFTEL C). DISCUSSIONS HAVE PROCEEDED ON TECHNICAL, FINANCIAL AND LEGAL QUESTIONS AND BROAD AGREEMENT HAS BEEN REACHED ON THE FEASIBILITY AND DESIRABILITY OF SIGNING A SERVICE CONTRACT BETWEEN THE US ARMY PROCUREMENT AGENCY EUROPE ON THE U.S. SIDE AND BY THE WSA ON THE LUXEMBOURG SIDE. AGREEMENT HAS ALSO BEEN REACHED THAT THE CONTRACT WOULD BE SIGNED WITHIN THE CONTEXT OF THE U.S.-LUXEMBOURG OFFSHORE PROCUREMENT AGREEMENT OF 1954. USAREUR IS PRESENTLY SEEKING AUTHORITY FROM THE DEPARTMENT OF ARMY TO ENTER INTO THE FINAL STAGE OF DETAILED NEGOTIATIONS WITH THE GOL. DOD HAS, WE ARE TOLD, CONSULTED WITH THE APPROPRIATE CONGRESSIONAL COMMITTEES. A TENTATIVE TIMETABLE CALLS FOR SIGNATURE OF A CONTRACT ON OCTOBER 1, 1978.

2. IN THE COURSE OF THE NEGOTIATIONS, THE GOL REQUESTED

THAT A GOVERNMENT-TO-GOVERNMENT MEMORANDUM OF UNDERSTANDING
BE PREPARED WHICH WOULD INCORPORATE FOUR ELEMENTS. THESE
ARE: (A) A BRIEF HISTORICAL OUTLINE OF THE NEGOTIATIONS
WHICH WOULD SERVE AS A "NEGOTIATING HISTORY" OF THE CON-
TRACT; (B) ASSURANCES BY THE UNITED STATES THAT NO NUCLEAR
WEAPONS, DEVICES OR MATERIAL WOULD BE STORED IN THE LUX-
EMBOURG STORAGE FACILITIES; (C) A GENERAL STATEMENT ON THE
U.S. COMMITMENT TO THE GOALS AND OBJECTIVES OF THE AT-
LANTIC ALLIANCE AND A REAFFIRMATION OF THE U.S. COMMITMENT
TO THE DEFENSE OF WESTERN EUROPE; AND (D) A GUARANTEE BY
THE GOL THAT ALL PROVISIONS OF THE
CONTRACT SIGNED BY THE WSA WOULD BE FULFILLED UNDER ANY
CONDITIONS WHATSOEVER, INCLUDING CIVIL STRIFE, NATIONAL
EMERGENCY OR ANY OTHER CIRCUMSTANCES.
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USMISSION USNATO
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C O N F I D E N T I A L SECTION 2 OF 2 LUXEMBOURG 0778

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3. THE GOL WANTS A MEMORANDUM OF UNDERSTANDING FOR SEVERAL
REASONS. FIRST, UNDEXR THE ARMED SERVICES PROCUREMENT REGU-
LATIONS THE U.S. ARMY CAN ENTER INTO A SERVICE CONTRACT

ONLY ON A ONE-YEAR BASIS RENEWED ANNUALLY AND SUBJECT TO AVAILABILITY OF FUNDS. GOL OFFICIALS RECOGNIZE AS A PRACTICAL MATTER THAT THE U.S. ARMY INTENDS TO STORE EQUIPMENT AND MATERIAL IN LUXEMBOURG FOR AN INDEFINITE PERIOD OF TIME, BUT THEY BELIEVE THAT A MEMORANDUM OF UNDERSTANDING ALLUDING TO THE U.S. LONG TERM COMMITMENT TO NATO AND WESTERN EUROPEAN DEFENSE IS NECESSARY TO JUSTIFY POLITICALLY AN INITIAL INVESTMENT OF SOME FIFTY-ONE MILLION DOLLARS IN CONSTRUCTION COSTS. FOR OUR PART, BECAUSE OF THE QUASI-GOVERNMENTAL NATURE OF THE LUXEMBOURG CONTRACTING

PARTY WE BELIEVE A MEMORANDUM OF UNDERSTANDING WOULD BE USEFUL IN UNDERSCORING THE GOL COMMITMENT TO GUARANTEE THAT THE PROVISIONS OF THE CONTRACT WOULD BE FULFILLED IN TIME OF CIVIL EMERGENCY, STRIKES OR CIVIL STRIFE.
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4. ON JULY 20, THE DCM AND A REPRESENTATIVE OF ODC/BRUSSELS MET WITH MR. CHARLES REICHLING, THE SECRETARY GENERAL OF THE LUXEMBOURG MFA, AND AGREED IN GENERAL TERMS ON THE FOUR ELEMENTS THAT SHOULD BE INCLUDED IN THE MEMORANDUM. REICHLING AGREED TO PREPARE AN INITIAL DRAFT TO BE SUBMITTED TO THE EMBASSY IN EARLY SEPTEMBER.

5. THE EMBASSY, IN COOPERATION WITH US EUCOM AND USAREUR, PROPOSES TO WORK OUT MUTUALLY ACCEPTABLE LANGUAGE WITH THE GOL ON AN AD REFERENDUM BASIS. WE WILL THEN FORWARD A DRAFT MEMORANDUM OF UNDERSTANDING TO THE DEPARTMENT FOR COMMENT, WITH A REQUEST FOR APPROVAL TO INITIAL THE MEMORANDUM. WE WOULD APPRECIATE THE DEPARTMENT'S GUIDANCE ON (A) THE APPROPRIATENESS OF THE PROCEDURES OUTLINED ABOVE AND (B) THE POSSIBILITY OF HAVING AUTHORITY TO INITIAL SO THAT THE MEMORANDUM OF UNDERSTANDING COULD BE INITIALED SIMULTANEOUSLY WITH THE SIGNING OF THE CONTRACT ON OCTOBER 1. LOWENSTEIN

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